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Fiscal Q2 2025 Recap

January 29, 2025

Safe Harbor Statement

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Non-GAAP Financial Measures

This presentation sets forth certain non-GAAP financial measures including EBITDA; Free Cash Flow; Net Leverage Ratio - which are presented as supplemental disclosures to Net Income; Cash from Operations; Total Debt Outstanding; and reported results. Management believes these measures are useful indicators for normalizing earnings for non-routine items and facilitating effective evaluation of operating performance. A presentation of the most directly comparable GAAP measure and reconciliations of EBITDA; Free Cash Flow; Net Leverage Ratio are set forth in the appendix to this presentation.

Primary Messages from Management

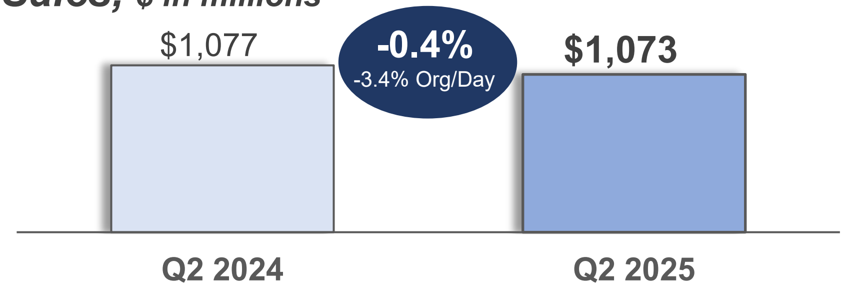
- **F2Q25 results highlight strong execution and positive margin performance** with EBITDA and EPS increasing a respective 3% and 7% YoY against a muted end-market demand backdrop. (1)
- **Gross and EBITDA margins expanded 114 bps and 45 bps YoY, respectively,** on solid channel execution, margin initiatives, cost controls, & lower LIFO expense; ES segment EBITDA margin above 16% for the first time.
- **Organic daily sales YoY decline of 3.4% was inline with guidance;** end-market demand remained subdued with customer plant idling and holiday timing negatively impacting December sales.
- **Cross-currents persisting but forward set-up favorable** considering improving demand indicators, automation & tech vertical orders increasing, easing comps, and technical MRO/capex requirements.
- **Capital deployment opportunities remain favorable given outlook, balance sheet, and industry position;** closed strategic acquisition of Hydradyne for over $270M and announced a 24% increase in our dividend.
- **Increasing FY25 guidance to reflect F2Q25 performance and Hydradyne contribution**; remain prudent with near-term organic growth assumptions but favorably positioned for improving growth trends into F2H25 & FY26.

Note: (1) YoY change in EPS based on prior-year adjusted F2Q24 EPS of $2.24, which excludes a pre-tax $3.0M ($0.08 per share) deferred tax valuation allowance benefit

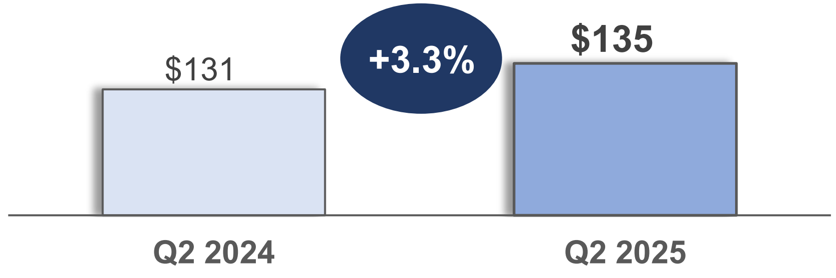
Fiscal Q2 2025 Key Financial Highlights

- **Sales down 0.4% YoY**
  - Down 3.4% on an organic daily basis
  - Acquisitions +1.9%, currency -0.5%, selling days +1.6%
- **Net Income of $93.3M and EPS of $2.39**
  - EPS up 6.7% from prior-year adjusted results [1]
  - Includes $0.7M pre-tax ($0.01/sh) of LIFO expense
  - Slight favorable impact YoY from interest & other income and a reduced share count
- **Gross margin 30.6%, up 114 bps vs. prior year of 29.4%**
  - Includes a favorable 25 bps YoY impact due to lower LIFO expense
- **SD&A expense 19.3% of sales vs. prior year of 18.8%**
  - Up 0.3% YoY on an organic, constant currency basis
- **EBITDA of $135.1M, up 3.3% vs. prior year of $130.8M**
  - 12.6% EBITDA margin up 45 bps YoY
  - Includes a favorable 25 bps YoY impact due to lower LIFO expense
- **Operating cash of $95.1M; free cash of $89.9M**
  - YTD free cash up 34% vs. prior year and 114% of net income

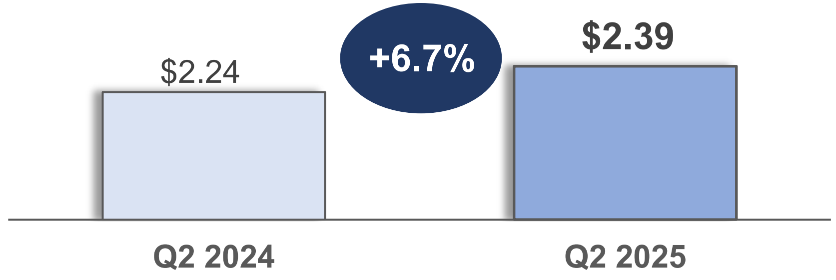
***Sales,** $ in millions*



***EBITDA,** $ in millions*



***Earnings Per Share** [1]*



Note: (1) YoY change in EPS based on prior-year adjusted F2Q24 EPS of $2.24, which excludes a pre-tax $3.0M ($0.08 per share) deferred tax valuation allowance benefit

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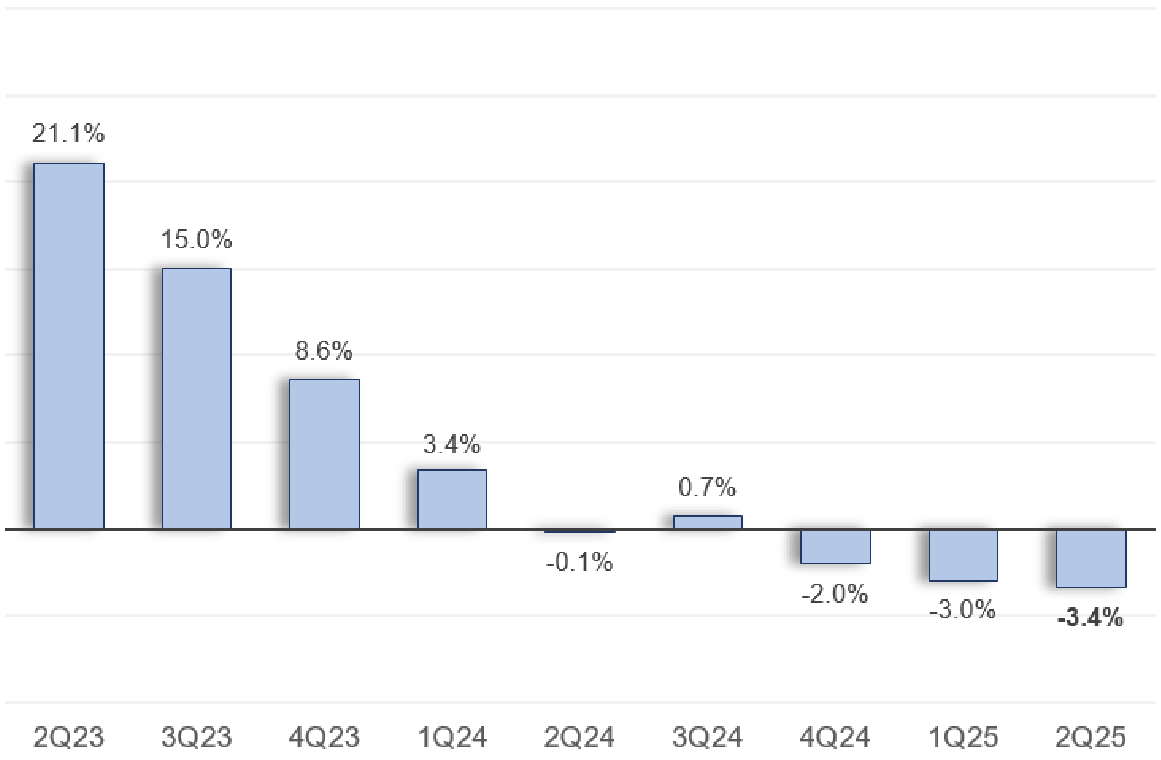
Organic Sales Growth Trend and Investor Discussion Points

Year-over-Year Organic % Change in Sales Per Day

Fiscal Quarters



F2Q25 Sales Growth Detail

- Down 3.4% YoY on an organic daily basis; down 3.5% on a 2-year stack and up 17.6% on a 3-year stack basis
- Average daily sales sequential increase of ~1% in F2Q25 was ~100 bps below normal seasonal patterns, but an improvement from relative seasonal patterns in prior quarters
- Late December sales impacted by holiday timing and extended customer plant idling, which negatively impacted F2Q25 YoY organic sales trends by ~100 bps
- 11 of top 30 industry verticals up YoY in F2Q25 compared to 13 during F1Q25 *
- YoY growth primarily across chemicals, food & beverage, pulp & paper, and technology
- Offset by declines primarily in machinery, transportation, aggregates, fabricated metals, oil & gas, and mining

** Based on largest 30 industry verticals for fiscal 2024*

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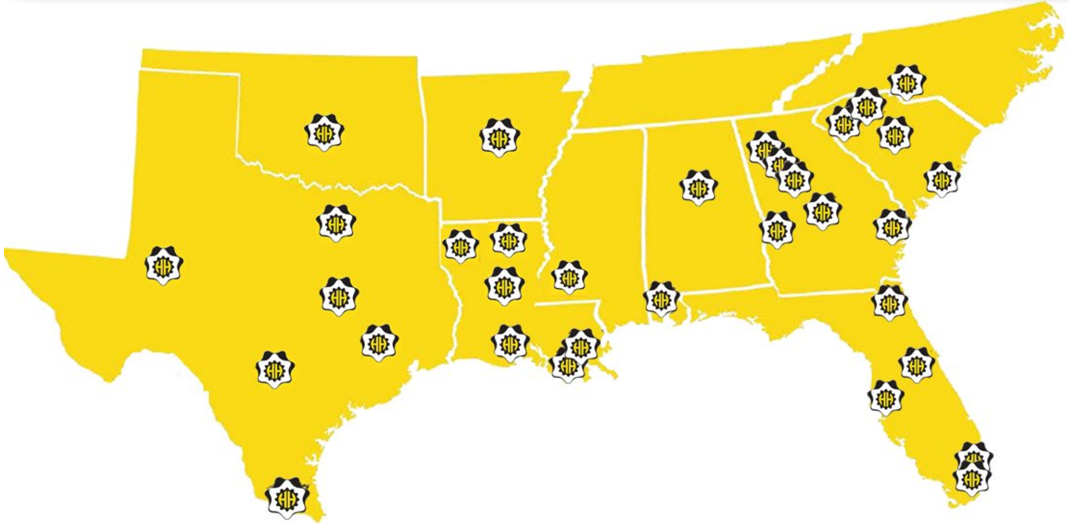
Hydradyne Acquisition – Overview

- Acquisition completed on December 31, 2024
- Premier provider of fluid power solutions focused on hydraulics, pneumatics, electromechanical, instrumentation, filtration, and fluid conveyance
- Product and service offering integral to powering and controlling critical stationary and mobile equipment in key industrial, commercial, and emerging industries
- Team of nearly 500 associates operating out of 33 locations across the Southeastern U.S.
- Strong technical market approach with over 30% of sales from solutions including repair services, system engineering & design, installation, fabrication, cylinder rebuilds, and hose assemblies
- Diverse customer base with sales balanced across MRO (~55%) and OEM (~45%) applications



Hydradyne Acquisition – Investment Rationale & Financial Considerations

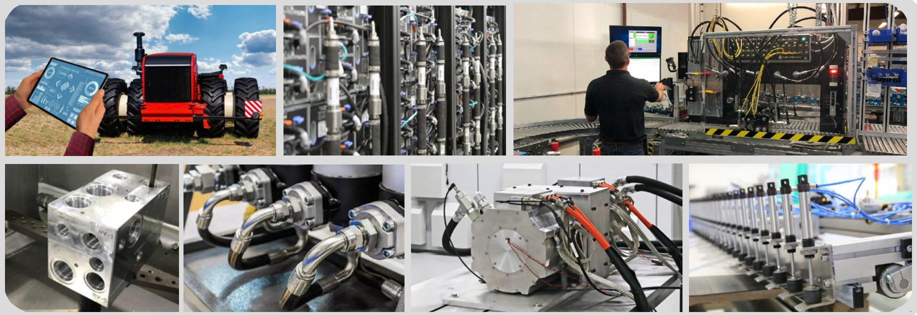
Investment Rationale:

- Broadens #1 fluid power distribution position to serve secular growth tied to reshoring, equipment modernization, power management, connectivity, and electrification
- Extends fluid power geographic footprint and service/repair capabilities across the strategic Southeastern U.S. region
- Further expands more technical and higher-margin Engineered Solutions Segment, which is now approaching 40% of total Applied sales
- Attractive synergy potential via cross-selling, complementary solutions, harmonizing technical capabilities & systems, and operational efficiencies

Financial Considerations:

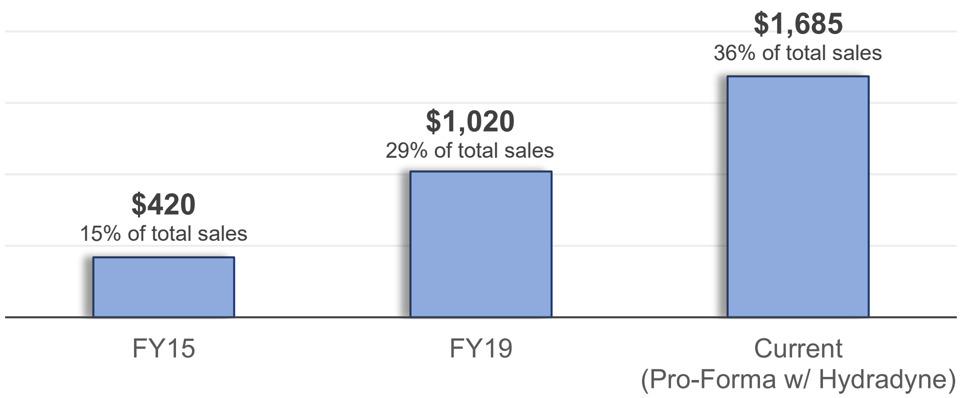
- $276M purchase price ($272M enterprise value) funded with cash on hand; transaction multiple of 9.1x on forward 12-month projected EBITDA before synergies
- Net synergy targets would reduce transaction multiple by at least “1 to 2 turns”, and anticipated within the next 3 to 5 years
- Expected to generate approximately $260M in sales and $30M[1] in EBITDA, as well as be accretive to EPS by approximately $0.15 [1][2], in the first full year of ownership
- Pro-forma net debt to EBITDA at 0.5x post the transaction, leaving ample capacity for additional M&A and other capital deployment opportunities

APPLIED Fluid Power®   Hydradyne



Engineered Solutions Segment Sales

($ in millions)



Notes: (1) Excludes transaction-related expenses and potential purchase accounting adjustments
(2) Net of projected acquisition intangible amortization expense of over $11M in the first year, and lower interest income on reduced cash balances after funding the deal

Other Investor Discussion Points

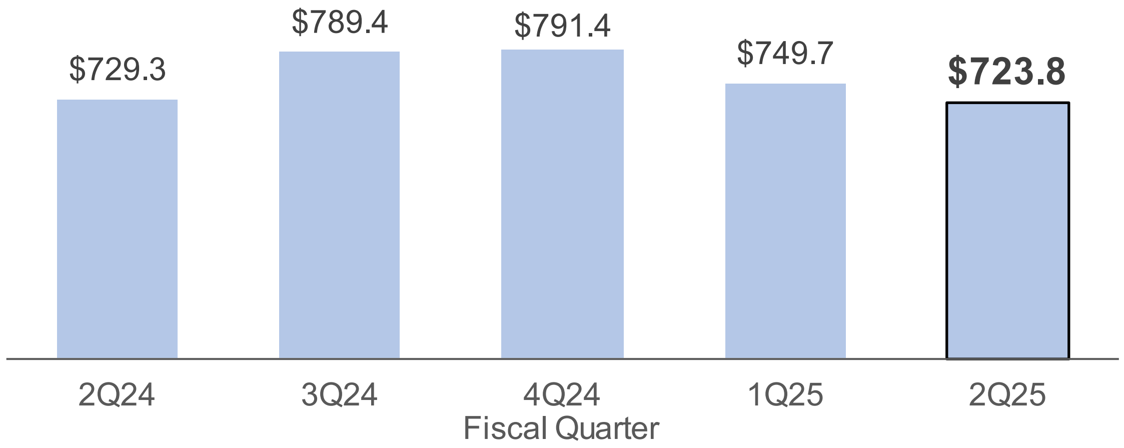
Discussion Point	Update	Detail
Underlying Demand	• *Customer activity remains mixed with ongoing weakness across machinery OEM markets and muted MRO spending; signs of a growth recovery emerging including improving short-cycle macro indicators and order trends YTD*	• *Organic daily sales down 3.4% YoY in F2Q25, but up ~1% sequentially; ES segment orders up YoY YTD led by stronger orders across Automation/tech areas; U.S. ISM New Orders above 50 (expansion) in Nov/Dec, SC segment bookings firming following a slow Dec and early start to Jan*
Pricing & Tariffs	• *Price contribution more modest though supplier price increases continue; favorably positioned to manage ongoing inflation and impact from possible tariff policies given technical industry position, U.S. centricity, margin initiatives, and structural mix tailwinds*	• *Estimated price contribution to YoY sales slightly below 100 bps during F2Q25 with a similar level expected in F2H25; gross margins up over 160 bps over the past 5 years despite greater industry-wide inflationary pressures*
Margin Expectations	• *Strong F2Q25 margin improvement primarily driven by channel execution, ES segment performance, cost controls, and lower LIFO expense; expect margins to ease sequentially in F3Q25 assuming normalizing performance and growth investments, though positive tailwinds remain*	• *F2Q25 gross margins +114 bps & EBITDA margins +45 bps YoY; ES segment EBITDA margin of 16.3% hits new high on gross margin initiatives and favorable mix; the potential for improved sales trends and greater mix tailwinds provide potential upside support to margins in F2H25 and into FY26*
Fiscal 2H Outlook	• *Expect muted demand persists near term given U.S. policy uncertainty and a gradual pace to interest rate cuts; potential for re-emerging growth as F2H25 plays out considering easier comps, ES segment orders, technical MRO/capital spending requirements, and stabilizing machinery markets*	• *Jan sales trending down by a MSD percent YoY on an organic basis; updated FY25 guidance mid-point assumes F2H25 sales down LSD YoY organically and ~100 bps below normal seasonal trends on average*
Capital Allocation	• *Cash generation potential and balance sheet supports ongoing growth initiatives and capital deployment opportunities; M&A pipeline remains active; ongoing scope for share buybacks and dividend growth*	• *Record 1H cash generation and net leverage at ~0.5x on a pro-forma basis post Hydradyne acquisition; M&A remains focused on bolt-on and mid-size targets; deployed $30M on share buybacks in F1H25; announced a 24% increase in quarterly dividend*

Note: LSD = Low Single-Digits; MSD = Mid Single-Digits

Segment Results – Service Center Based Distribution

Segment Overview: *Representing 68% of fiscal 2024 sales - the segment includes our core distribution operations including ~400 local service centers across North America, Australia, and New Zealand, primarily focused on our technical bearings, power transmission, and fluid power MRO product and solution offerings, as well as other industrial supplies for scheduled maintenance and repairs of customers' machinery, equipment, and facilities*

Service Center Distribution Segment Sales, in Millions

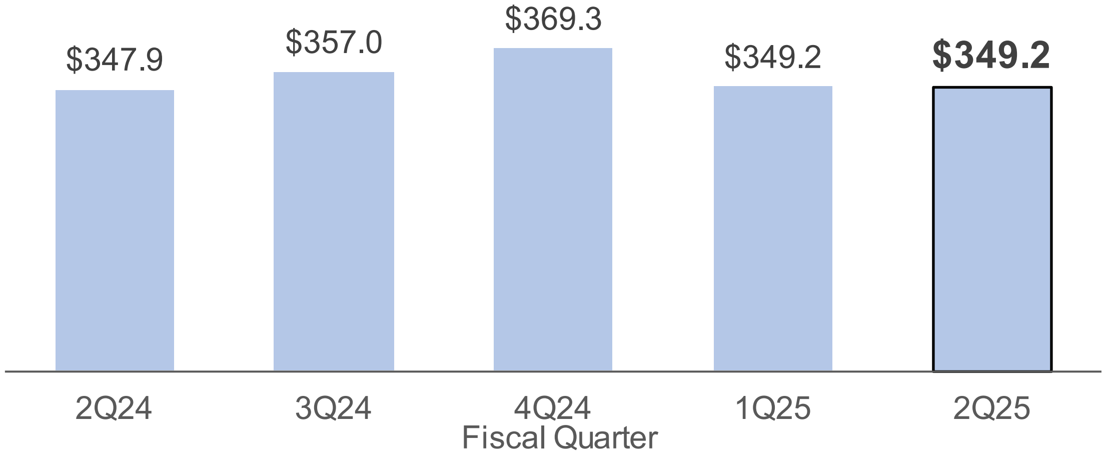


- **Sales down 0.7% YoY in F2Q25**
  - Organic − 1.9%
  - Acquisitions + 0.3%
  - Currency − 0.7%
  - Selling days + 1.6%
- Organic sales decline primarily driven by softer MRO spending and capital maintenance projects, as well as the impact from extended customer plant idling and holiday timing in December; growth across national accounts more than offset by weaker local account sales
- Muted end-market demand balanced by continued benefits from ongoing sales force productivity initiatives, technology investments, and new business opportunities
- Segment EBITDA of $97.2M in F2Q25 up 1.4% YoY reflecting lower LIFO expense, channel execution, gross margin counter-measures, cost controls, as well as supplier rebate recognition

Segment Results – Engineered Solutions

Segment Overview: *Representing 32% of fiscal 2024 sales - the segment consists of 1) our Fluid Power network specializing in distributing, engineering, designing, integrating, and repairing hydraulic and pneumatic technologies and related systems across off-highway mobile, industrial, and technology verticals, 2) our specialty flow control products and engineered solutions supporting mission-critical process infrastructure, and 3) our advanced automation products and solutions focused on machine vision, robotics, motion, & digital technologies*

Engineered Solutions Segment Sales, in Millions



- **Sales up 0.4% YoY in F2Q25**
  - Organic − 6.3%
  - Acquisitions + 5.1%
  - Selling days + 1.6%

- Organic sales decline primarily reflects ongoing weakness across off-highway mobile fluid power OEM customers, and to a lesser extent softer automaton sales
- Segment orders up YoY year to date driven by stronger activity across automation and the technology vertical, while order trends across mobile/industrial fluid power customers beginning to firm
- Segment EBITDA of $57.1M in F2Q25 up 8.0% YoY primarily reflecting gross margin initiatives, favorable mix, ongoing strategic progress, as well as lower LIFO expense

Fiscal Q2 2025 Margin and Expense Highlights

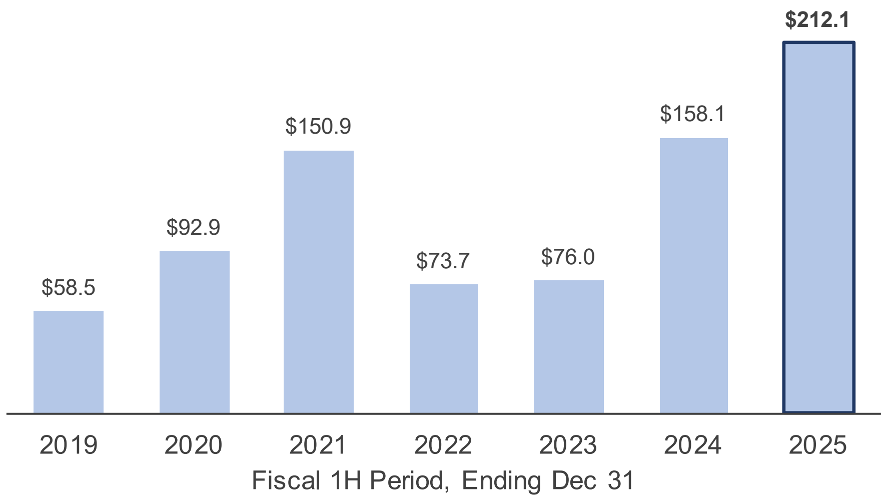
Gross Profit, SD&A, and EBITDA Metrics

$ in millions	**Q2 25**	**Q2 24**	**Chg YoY**	***LIFO Impact YoY***
Gross Profit	**$328.1**	$317.1	3.5%	*0.9%*
Gross Margin	**30.6%**	29.4%	114 bps	*25 bps*
SD&A Expense	**$207.2**	$202.5	2.3%	
% of Sales	**19.3%**	18.8%	(51) bps	
EBITDA	**$135.1**	$130.8	3.3%	*2.1%*
EBITDA Margin	**12.6%**	12.1%	45 bps	*25 bps*
Memo: LIFO Expense	**$0.7**	$3.4		

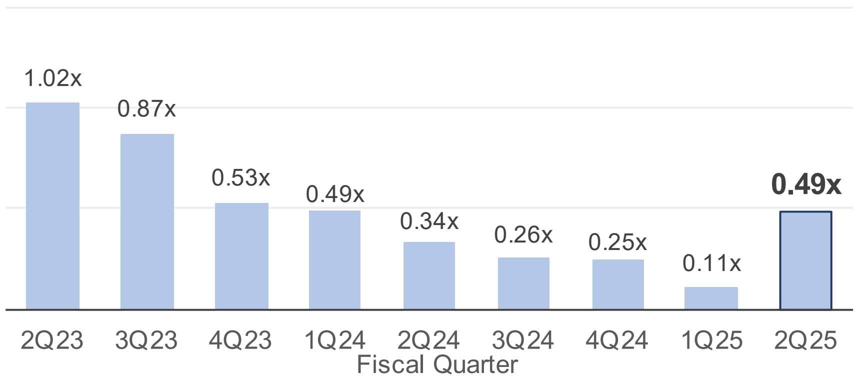
- **Gross margin up 114 bps YoY**
  - Includes a favorable 25 bps YoY impact due to lower LIFO expense
  - Primarily reflects strong channel execution, ES segment performance, and ongoing margin initiatives, as well as 10-20 bps of favorable supplier rebate recognition
- **SD&A expense up 2.3% YoY**
  - Up 0.3% on an organic, constant currency basis
  - 19.3% of sales vs. 18.8% in the prior-year period
  - Efficiency gains, cost discipline, and reduced variable expense offset by higher occupancy & administrative costs, growth positioning, and ongoing inflationary pressures
  - Includes $1.5M of due diligence and transaction expense related to the Hydradyne acquisition
- **EBITDA margin of 12.6% up 45 bps YoY**
  - Includes a favorable 25 bps YoY impact due to lower LIFO expense

Cash Flow and Balance Sheet

Free Cash Flow (in Millions) - Fiscal 1H Period



Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



- **F2Q25 cash from operations of $95.1M; free cash of $89.9M**
  - Free cash at 96% of net income in the quarter
  - YTD free cash of $212.1M up 34% and 114.5% of net income
  - YoY cash flow growth primarily reflects more modest working capital investment compared to the prior year, as well as ongoing progress with internal initiatives and our enhanced margin profile

- **Net leverage ratio at 0.49x as of December 31, 2024**
  - Pro-forma net leverage ratio at 0.46x including trailing 12-month EBITDA from Hydradyne acquisition, which closed on December 31, 2024
  - Above prior-year level of 0.34x and F1Q25 of 0.11x

- **Strong balance sheet capacity to support growth** *(as of 12/31/24)*
  - $303M of cash on hand
  - $516M of available capacity under revolver
    - Additional $500M accordion option available
  - $270M of available capacity on uncommitted shelf facility
  - $62M of available capacity under AR securitization facility

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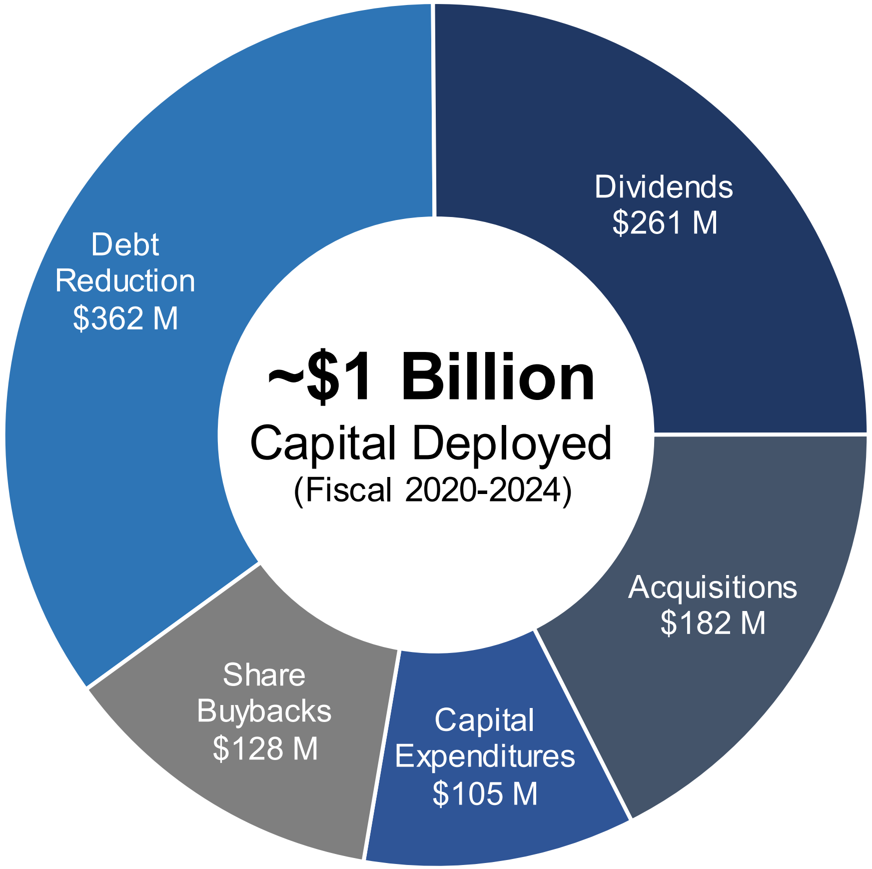
Capital Allocation

Capital Allocation Priorities & Strategy

Organic Growth	*Pursue greenfield expansion while optimizing customer service capabilities and operating efficiencies through technology, working capital, and system investments*
Acquisitions	*Scale Engineered Solutions segment while pursuing select Service Center segment opportunities to enhance organic growth, margins, and competitive position*
Debt Service	*Dependent on outstanding commitments, cycle dynamics & interest savings potential; comfortable with normalized net leverage of ~2x through a cycle*
Share Buybacks	*Opportunistic approach focused on returning excess cash through a disciplined valuation & return framework*
Dividends	*Consistent annual increases in ordinary dividend; target dividend growth in relation to normalized earnings growth*



$251M capital deployed in fiscal 2024
~$380M capital deployed in fiscal 2025 YTD

Fiscal 2025 Guidance and Outlook Assumptions

Fiscal 2025 Guidance

	Prior (10/24/24)			Current (1/29/25)		
Total Sales - YoY % chg	-2.5%	-	+2.5%	**1%**	-	**3%**
Organic Avg Daily Sales - YoY % chg	-4%	-	+1%	**-3%**	-	**-1%**
EBITDA Margin	12.1%	-	12.3%	**12.2%**	-	**12.4%**
Diluted EPS	$9.25	-	$10.00	**$9.65**	-	**$10.05**
Additional Assumptions:						
Depreciation & amortization expense	$54	-	$55	$60	-	$62
Interest & other expense (income)	($1)	-	$0	$0	-	$1
Effective tax rate	23%	-	24%	23%	-	24%

Updated Considerations:

- Assumes sales decline by a LSD % YoY on an organic average daily basis in F2H25 at the mid-point of guidance
- F2H25 organic sales outlook based on initial January trends, and ongoing uncertainty tied to macro policy and interest rates
- Assumes 600-700 bps of YoY M&A sales contribution in F2H25
- Assumes Hydradyne EPS accretion ramps through F2H25 & FY26
- Excludes contribution from future M&A and/or share repurchases
- Potential support/upside from industry position, sales initiatives, active cost controls, a greater recovery across the technology vertical and automation operations, initial Hydradyne synergies, and a sooner/greater rebound in broader end-market demand
- F3Q25 assumptions:
  - Total Sales: Flat to up LSD (%) YoY
  - Organic Daily Sales: Down MSD to LSD (%) YoY
  - Gross Margin: Around 30%
  - EBITDA Margin: 12.0% to 12.2%
  - EPS: $2.30 to $2.45

Notes: 1) $ amount in millions except EPS
2) LSD = Low Single-Digits, MSD = Mid Single-Digits

Appendix: Number of Selling Days by Fiscal Quarter and Full Year

Fiscal Period	Q1	Q2	Q3	Q4	Year
2024	63.0	61.0	63.5	64.0	251.5
2025	**64.0**	**62.0**	**63.0**	**63.5**	**252.5**
2026	**64.0**	**62.0**	**63.0**	**63.5**	**252.5**

Appendix: Net Sales, Operating Income, EBITDA, & EBITDA Margin by Segment

(dollar amount in thousands)	Three Months Ended Dec 31 Q2 FY24	Q2 FY25
Service Center Based Distribution Segment:		
Net sales	$ 729,273	$ 723,827
Operating income	$ 91,440	$ 92,785
Depreciation and amortization of property	$ 4,355	$ 4,383
EBITDA	**$ 95,795**	**$ 97,168**
% of sales (EBITDA margin)	*13.1%*	*13.4%*
Engineered Solutions Segment:		
Net sales	$ 347,880	$ 349,174
Operating income	$ 51,167	$ 55,533
Depreciation and amortization of property	$ 1,693	$ 1,543
EBITDA	**$ 52,860**	**$ 57,076**
% of sales (EBITDA margin)	*15.2%*	*16.3%*
Corporate and other expense, net (1)	$ 28,013	$ 27,448

Note: (1) Includes intangible amortization expense.

Appendix: Reconciliation of EBITDA

(dollar amount in thousands)	Three Months Ended Dec 31 Q2 FY24	Q2 FY25
Net Income	**$ 91,228**	**$ 93,290**
Interest expense (income), net	1,917	(936)
Income tax expense	24,373	29,271
Depreciation and amortization of property	6,048	5,926
Amortization of intangibles	7,257	7,567
EBITDA	**$ 130,823**	**$ 135,118**

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Appendix: Reconciliation of EBITDA Margin

	Three Months Ended Dec 31	
(dollar amount in thousands)	**Q2 FY24**	**Q2 FY25**
Net Sales	**$ 1,077,153**	**$ 1,073,001**
EBITDA	130,823	135,118
EBITDA Margin	**12.1%**	**12.6%**

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Appendix: Reconciliation of Free Cash Flow

(dollar amount in thousands)	Three Months Ended September 30						
	Q1 FY19	Q1 FY20	Q1 FY21	Q1 FY22	Q1 FY23	Q1 FY24	Q1 FY25
Cash provided by Operating Activities	$ 11,797	$ 50,018	$ 81,842	$ 48,642	$ 25,943	$ 66,209	$127,747
Capital Expenditures	(3,173)	(4,946)	(3,597)	(3,621)	(5,554)	(4,340)	(5,549)
Free Cash Flow	**$ 8,624**	**$ 45,072**	**$ 78,245**	**$ 45,021**	**$ 20,389**	**$ 61,869**	**$122,198**

(dollar amount in thousands)	Three Months Ended December 31						
	Q2 FY19	Q2 FY20	Q2 FY21	Q2 FY22	Q2 FY23	Q2 FY24	Q2 FY25
Cash provided by Operating Activities	$ 53,783	$ 54,881	$ 77,514	$ 32,622	$ 62,880	$101,758	$ 95,137
Capital Expenditures	(3,923)	(7,019)	(4,852)	(3,889)	(7,263)	(5,523)	(5,197)
Free Cash Flow	$ 49,860	$ 47,862	$ 72,662	$ 28,733	$ 55,617	$ 96,235	$ 89,940

(dollar amount in thousands)	Six Months Ended December 31						
	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Cash provided by Operating Activities	$ 65,580	$ 104,899	$ 159,356	$ 81,264	$ 88,823	$167,967	$222,884
Capital Expenditures	(7,096)	(11,965)	(8,449)	(7,510)	(12,817)	(9,863)	(10,746)
Free Cash Flow	$ 58,484	$ 92,934	$ 150,907	$ 73,754	$ 76,006	$158,104	$212,138

Appendix: Reconciliation of Net Leverage Ratio

(dollar amount in thousands)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
Net Income	$ 80,457	$ 97,187	$ 92,215	$ 93,826	$ 91,228	$ 97,217	$ 103,491	$ 92,063	$ 93,290
Interest expense (income), net	6,185	4,773	4,201	1,320	1,917	265	(671)	(627)	(936)
Income tax expense	25,493	25,093	30,322	25,103	24,373	25,448	37,444	24,017	29,271
Depreciation and amortization	5,552	5,565	5,668	5,717	6,048	5,802	5,864	5,924	5,926
Amortization of intangibles	7,814	7,670	7,616	7,393	7,257	6,951	7,322	7,600	7,567
EBITDA	**$ 125,501**	**$ 140,288**	**$ 140,022**	**$ 133,359**	**$ 130,823**	**$ 135,683**	**$ 153,450**	**$ 128,977**	**$ 135,118**
Trailing 4-Quarter EBITDA	**472,779**	**504,450**	**524,521**	**539,170**	**544,492**	**539,887**	**553,315**	**548,933**	**553,228**
Current portion of long-term debt	$ 25,189	$ 25,196	$ 25,170	$ 25,171	$ 25,159	$ 25,107	$ 25,055	$ 25,003	$ -
Long-term debt	624,052	597,006	596,926	596,883	571,854	571,862	572,279	572,288	572,300
Total Debt	$ 649,241	$ 622,202	$ 622,096	$ 622,054	$ 597,013	$ 596,969	$ 597,334	$ 597,291	$ 572,300
Cash	165,538	182,127	344,036	360,415	412,855	456,533	460,617	538,520	303,441
Net Debt	$ 483,703	$ 440,075	$ 278,060	$ 261,639	$ 184,158	$ 140,436	$ 136,717	$ 58,771	$ 268,859
Net Leverage Ratio	**1.02**	**0.87**	**0.53**	**0.49**	**0.34**	**0.26**	**0.25**	**0.11**	**0.49**